



**Michigan Competitiveness Committee  
Michigan Senate  
May 13, 2015**

**Testimony of:  
Associated Builders and Contractors of Michigan**

Mr. Chairman and members of the Committee, thank you for the opportunity to be here today. My name is Chris Fisher and I am with Associated Builders and Contractors of Michigan. ABC is a statewide trade association working with leading contractors who primarily work in the industrial, government and commercial construction sectors. We are here today to urge you to support Senate Bills 1, 2 and 3 to repeal the Michigan Prevailing Wage Act.

As this committee begins its work, it is important to accurately place prevailing wage in its proper context by keeping in mind that Michigan's prevailing wage law ONLY exists inside of the bubble of state government construction and NOWHERE else. The greater construction industry does not have prevailing wage. It has been rejected by the private sector where most construction activity occurs. Most local governments likewise do not have prevailing wage mandates.

Accordingly, prevailing wage repeal simply means that state-financed construction will better reflect the overwhelmingly typical contracting practices seen throughout the greater construction industry in our state. Indeed, safe, on-time, quality construction is performed everyday absent a prevailing wage mandate by highly skilled and trained workers, union and non-union alike. In fact, anyone looking for a real-world example of what it is like to not have prevailing wage, need not look any further than the real world itself where the majority of construction is successfully put into place daily without prevailing wage constraints.

Moreover, outside of government construction, US Department of Labor data points to Michigan's construction workforce being well paid and having a higher standard of living than most other industries. And it should. In fact, in the private sector where the prevailing wage law doesn't apply, the latest Labor Department data pegs private sector construction worker incomes at an average of nearly \$50,000 per year. In many trades and for those with more experience, this amount is much higher.

It should further be pointed out that Michigan's prevailing Wage law is limited to *only* being a wage and benefit mandate (unlike what some others have falsely claimed). Absent prevailing wage, all standards for quality and safety are all maintained. So too are all training mandates under state law and all hiring preferences that are afforded to Michigan residents. As the Michigan Department of Licensing and Regulatory Affairs (LARA) stated in a recent letter, *"Both prevailing wage and non-prevailing wage projects are subject to the same standards in the construction code, workplace health and safety and wage and hour rules."*

Over the years this issue has been considered at great length. There have been numerous peer-reviewed academic, governmental and institutional studies on the matter, most of which pointing out that prevailing wage significantly increases the cost of taxpayer-funded construction. Most recently, the non-partisan Anderson Economic Group concluded that for Michigan educational construction alone (K-12 schools, community colleges and universities) taxpayers are overspending to the tune of \$224 million every year. Over a ten-year period more than 300 brand new, average-sized elementary schools could have been built with the money that has been lost to prevailing wage waste.

After prevailing wage on school construction was repealed in Ohio, the non-partisan Ohio Legislative Service Commission likewise concluded that the repeal saved schools and taxpayers over \$487.9 million, without any impact on overall quality or safety. Indeed, Ohio's experience over the past decade powerfully underscores the benefits of repeal.

There's little doubt that Michigan's Prevailing Wage Act places our state at a competitive disadvantage with the rest of the country. Presently, 44 other states either have no prevailing wage or they at least have made significant reforms to better reflect the actual construction marketplace. Michigan is one of only six states with a prevailing wage based exclusively on union collective bargaining agreements. These union agreements supersede all other leading practices that are commonplace for all other construction that is successfully put into place every day in Michigan. This is especially anti-competitive, costly and unnecessary.

It's time for state government construction to benefit from best practices that embraced by the broader construction industry. We thank Senate leadership and this committee for having this discussion today on behalf of Michigan taxpayers who deserve better than being weighed down by the prevailing wage law and its inflated costs on government construction. We urge you to move Senate Bills 1, 2, and 3. Mr. Chairman, I am happy to answer any questions from you or members of the committee.

# When something raises the cost of construction, the result is more expensive construction. Every time.

Of course, this is obvious and any so-called "study" to the contrary is easily refuted by common sense, the real world, and the vast majority of peer-reviewed governmental, academic and economic research. These non-partisan studies on state and federal prevailing wage schemes are a sampling of more reliable research:

- **Anderson Economic Group, 2013:** (Found that Michigan overspends about \$224 million per year on public construction in the education sector alone adding 7.5% to the overall cost of these construction projects.)
- **Legislative Bureau of Ohio Legislature 2000:** (Determined that rescinding prevailing wage requirements for school construction saved \$487.9 million in aggregate school construction, an overall savings of 10.7 percent.)
- **Columbia University 2012:** (revealed New York State's prevailing wage rates are grossly outdated and costing taxpayers billions of dollars for capital improvements.)
- **Public Policy Foundation of West Virginia, 2009:** (Concluded that West Virginia's average state prevailing wage rate is at least 49 percent, and as high as 74 percent, above the state's true market wage in the construction industry.)
- **Citizens Housing and Planning Council of New York, 2008:** (Found that "imposing prevailing wage requirements on the affordable housing industry reduces the amount and affordability of subsidized housing.")
- **California State University, Institute for County Government, 2003:** (Determined that federal commercial prevailing wage rates and state prevailing wage rates in California are on average 36 to 55 percent higher than market wages.)
- **Kentucky Legislative Research Commission, 2014:** (Found an overall savings of 8% on school construction costs.)
- **Mackinac Center for Public Policy, 2007:** (Estimated that Michigan's prevailing wage law, which requires union wages to be paid on state construction projects, costs state taxpayers about \$250 million per year.)
- **University of California, Berkley, 2003:** (Estimated that prevailing wage requirements increased costs on state-subsidized low-income housing in California between 9 and 32 percent.)
- **Minnesota Taxpayers Association, 2005:** (Found that the state's method for calculating prevailing wage rates on public construction increased project costs between 7 and 10 percent.)
- **Government Accountability Office, 2011:** (Highlighted serious flaws in how wages are determined under the Davis-Bacon Act, and recommended steps to remedy some of the issues.)
- **The Beacon Hill Institute at Suffolk University, 2008:** (Found that wages on federally funded construction projects under the Davis-Bacon Act are grossly inflated adding 10% to the cost of government construction.)
- **Congressional Budget Office, 2000:** (Estimated savings solely from reducing the regulatory and paperwork burden if the Davis-Bacon Act were repealed to be more than \$4 billion in discretionary spending outlays over a five year period.)
- **Department of Labor's Office of the Inspector General, 2004:** (Questioned the credibility of wage determinations under the federal Davis-Bacon Act; discovers errors in almost 100% of reviewed wage reports.)

Prevailing wage needlessly increases the cost of construction.  
Every time.



STATE OF MICHIGAN

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
LANSING

RICK SNYDER  
GOVERNOR

STEVE ARWOOD  
DIRECTOR

October 9, 2013

Mr. Chris Fisher, President  
Associated Builders & Contractors of Michigan  
230 N. Washington Square  
Suite 202  
Lansing, MI 48933

Dear Mr. Fisher:

I received your letters regarding the Michigan Prevailing Wage Act and LARA's Bureau of Construction Codes (BCC), Michigan Occupational Safety and Health Administration (MIOSHA) and Wage and Hour Program. You asked if the BCC standards for construction projects subject to the Michigan Prevailing Wage Act differ from non-prevailing wage construction projects. The answer is no. The company or project must meet the standards of BCC whether it is prevailing wage or non-prevailing wage.

You also asked if health and safety requirements for construction work subject to the Michigan Prevailing Wage Act are different from non-prevailing wage projects. There is no difference between how workplace safety and health requirements are enforced on prevailing wage and non-prevailing wage projects.

Lastly, you asked if the laws and regulations that prevent illegal immigrants from performing construction work that is subject to the Michigan Prevailing Wage Act are different from the laws and regulations of non-prevailing wage construction projects. The Wage and Hour Division does not enforce laws and regulations that prevent illegal immigrants from performing construction work.

The Department of Licensing and Regulatory Affairs focuses on being *Customer Driven. Business Minded.* Whether companies or projects are prevailing wage or non-prevailing wage does not impact LARA's focus on customer service or employee safety. Equal consideration is given to both types of companies/projects. Both prevailing wage and non-prevailing wage projects are subject to the same standards in the construction code, workplace health and safety, and wage and hour rules.

Sincerely,

Steve Arwood  
Director

LARA is an equal opportunity employer/program.

Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.  
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